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8 November 1943

Mr. Bernard L. Gladieux
Executive Assistant to the Secretary
Department of Commerce
Washington, D. C.

Dear Mr. Gladieux:

I wish to acknowledge your letter of 2 November requesting the assistance of the Central Intelligence Agency in collecting information on the enforcement of export control policy and, specifically, on the diversion of certain commodities of American origin to Eastern European countries.

It is assumed that much information on this topic will be available through Department of State and other channels. Insofar as we can assist through our representatives abroad we shall be glad to do so.

In order that this may be done effectively a close working liaison will be required with the appropriate officer of the Department of Commerce.

I am designating [] to be the liaison officer to you for this purpose. He will call upon Mr. Edward P. Guineane to discuss specifically the request which the Department of Commerce has made.

Sincerely yours

/s/ R. H. Hillenkoetter
Rear Admiral, USN
Director of Central
Intelligence

ADSO

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DEPARTMENT OF COMMERCE

OFFICE OF THE SECRETARY

WASHINGTON 25

November 2, 1948

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Rear Admiral R. H. Hillenkoetter
Director of Central Intelligence
Room 7135, Federal Works Building
18th and F. Streets, N. W.
Washington, 25, D. C.

Dear Admiral Hillenkoetter:

Attached is a statement prepared by the Enforcement Branch of the Office of International Trade of this Department soliciting the cooperation of the Central Intelligence Agency in the enforcement of export control regulations. We send this to you in the belief that your highly trained personnel abroad can be of considerable value in making export control policy effective.

Your attention is directed to the two actions requested of CIA on Page 2 of the attached. We should appreciate your reaction to this request and would suggest also that you designate an appropriate representative of CIA to consult with Mr. Edward P. Guinane, Acting Chief of the Enforcement Branch, concerning more specific arrangements.

Sincerely yours,

Bernard L. Gladieux

Bernard L. Gladieux
Executive Assistant to the Secretary

Attachment

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Enforcement of Export Control Regulations

To effectuate American policy on export controls a higher degree of compliance with and enforcement of the conditions of export licenses, particularly relating to final destination and end use is necessary.

Success in this endeavor rests in large part upon the cooperation of American representatives abroad and close cooperation between such representatives and this and foreign governments.

The Office of International Trade has embarked upon an enforcement program (1) to prevent unauthorized diversions of commodities from the licensed ultimate country of destination and/or transshipments therefrom to unlicensed destinations; (2) to take action against those who plan or knowingly participate in violations thereof. Specifically, this enforcement program is concerned with those diversions and transshipments which constitute devices for the evasion of country destination restrictions by action against persons directly or indirectly within American jurisdiction or subject to American sanctions.

The basic enforcement problem is ultimate destination control, i. e., to insure arrival of licensed commodities at licensed destinations in accordance with the terms of the license. Measures must first be taken to insure that commodities arrive at the licensed country of destination and second, that such commodities are not thereafter transshipped to Eastern European countries. Direct shipments to Eastern European countries are readily controlled by export licenses. Diversions from licensed ultimate destination countries to Eastern European countries occur both in Western Europe wherein the exportation has been specially licensed and also from other countries (particularly Latin American countries) wherein the same commodities may be exported from the U. S. in conformity with OIT regulations under a general license, i. e., wherein no written license is necessary.

Export licenses are granted by OIT upon representations made by the applicant regarding the price to be paid by the importer, the destination and the end use. The price criterion is important in that among the purposes of the export control program is the conservation of dollar exchange for the more necessary expenditures and to reduce the impact of inflationary factors. The importance of the representations regarding ultimate destinations and end use are self-evident.

In the enforcement of export controls, it must be remembered that American policy envisions the continuation of trade relations with Eastern European countries simultaneously conserving commodities in short supply and limiting exportation of sensitive commodities. This enforcement program is not concerned with the re-exportation of commodities of American origin after arrival at the licensed destination which do not involve violations of the terms of the license or of export control laws or regulations. Types of cases with which this

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enforcement program is not concerned are those which raise economic policy considerations, such as, free zone and other processing of commodities originating in the United States; re-exportation by wholesalers and jobbers; and exportation by the importing country of its own commodities equivalent to commodities imported from the United States, such importation being made possible by the equivalent importation from the United States. An example of this latter type of case is the exportation by a foreign country of tractors (not of American origin) to a country to which export control regulations would prevent exportation of American made tractors but which exportation would not be possible except for the importation of equivalent tractors from the United States. Another example of this type of case is the exportation of draft horses by an importing country made possible by the importation of American made tractors.

ACTION REQUESTED

(1) That representatives of your agency located in foreign countries be instructed to report instances coming to their attention wherein there is reason to believe that commodities of American origin in short supply or critical materials exported from the United States under appropriate licenses are being or have been diverted or transshipped to Eastern European countries in contravention of export control laws and regulations.

(2) That conversations be held on the appropriate level between representatives of the Central Intelligence Agency and the Office of International Trade looking toward the possibility of the services of Central Intelligence Agency being made available to the Office of International Trade in connection with certain investigations outside of the continental United States.

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